

(2) Government contracts which do not contain the CAS clause;

(3) Contracts other than Government contracts or customer orders; and

(4) Production not specifically identified with contracts or customer orders under production or work orders existing prior to the date on which a business unit must first allocate its costs in compliance with this Standard and which are limited in time or quantity.

Production under standing or unlimited work orders, continuous flow processes and the like, not identified with contracts or customer orders are to be treated as final cost objectives awarded after the date on which a business unit must first allocate its costs in compliance with the requirements of this Standard.

Business Unit N may allocate the G&A expense pool as follows:

[In dollars]

	Year 1978	Year 1979	Year 1980
1. G.&A. expense pool	375	375	375
Cost of sales rate	375/3,000=.125	375/2,500=.150	375/3,250=.115
Cost input	375/3,000=.125	375/3,000=.125	375/3,000=.125
2. G.&A. allocations:			
Prior contracts:			
Non-CAS work	600×0.125=75.00	450×0.15=67.50	450×0.115=51.75
CAS-fixed price work	550×0.125=68.75	650×0.15=97.50	800×0.115=92.00
CAS-cost contracts	700×0.125=87.50	700×0.15=105.00	700×0.115=80.50
After contracts:			
Non-CAS work	500×0.125=62.50	500×0.125=62.50	500×0.125=62.50
CAS-fixed price work	500×0.125=62.50	500×0.125=62.50	500×0.125=62.50
CAS-cost contracts	300×0.125=37.50	300×0.125=37.50	300×0.125=37.55
3. Inventory suspense account ¹	393.75	432.50	386.80
G.&A. rate applicable	200		
	.125		

¹ Beginning inventory of contracts subject to the CAS clause, January 1978.

2.B. In cost accounting period 1982, Business Unit N has an ending inventory of contracts subject to the CAS clause of \$100,000. This is the first cost accounting period after the transition in which the amount of the ending inventory is less than the amount of the inventory suspense account. During this cost accounting period, Business Unit N had G&A expenses of \$410,000 and cost input of \$3,500,000; \$1,500,000 applicable to contracts subject to the CAS clause and \$2,000,000 applicable to other work.

Business Unit N would compute its G&A expense allocation rate applicable to contracts subject to the CAS clause as follows:

(1) Amount of inventory suspense account	\$200,000
Amount of ending inventory	100,000
Difference	100,000
G. & A. rate applicable (see 2.A. above)	×0.125
Adjustment to G. & A. expense applicable to contracts subject to the CAS clause	12,500
(2) G. & A. expense pool	410,000
G. & A. expenses applicable to contracts subject to the CAS clause (\$1,500,000/\$3,500,000 × \$410,000)	175,890

G. & A. expenses applicable to other work	234,110
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(3) G. & A. expenses applicable to contracts subject to the CAS clause	175,890
Adjustment to G. & A. expenses applicable to contracts subject to the CAS clause	-12,500

G. & A. expenses allocable to contracts subject to the CAS clause	163,390
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(4) G. & A. expense allocation rate applicable to contracts subject to the CAS clause for cost accounting period 1982—\$163,390/\$1,500,000=0.109.

The amount of the inventory suspense account would be reduced to \$100,000.

[57 FR 14153, Apr. 17, 1992; 57 FR 34081, 34167, Aug. 3, 1992]

9904.411 Cost accounting standard—accounting for acquisition costs of material.

9904.411–10 [Reserved]

9904.411–20 Purpose.

(a) The purpose of this Cost Accounting Standard is to provide criteria for